

Overview of the Commercial and Industrial Property Assessment Process

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**Presented to
Lexington Appropriations
Committee**

**Presented by
Steven R. Foster
Resident – Precinct 7
Former Member, Lexington Board of
Assessors**

I. Introduction

- This presentation is intended to provide a brief overview of the assessment process.
- It is intended to address broader questions of procedures, data, analysis and valuations.
- The presentation is not intended to discuss specific properties within the town, as the assessing department possesses confidential information on these properties and has active abatement applications and Appellate Tax Board (ATB) cases which could be impacted through these discussions.
- Additionally, it presents information which in my opinion supports the reasonableness of the assessed values developed by the assessing department for commercial/industrial properties in Lexington.

II(a). Assessment Process

- Based on a rigorous and comprehensive study of market and the properties being assessed
 - Utility of the property
 - Market Trends
 - Demand (vacancy/availability rates)
 - Sales (confirmation/analysis)
 - Rental Rates
 - Operating Expenses
 - Capital Requirements
- Valuations use mass appraisal techniques
 - Less property specific
 - More statistical based
- Valuations must be reasonable and defensible
 - Satisfy Department of Revenue (DOR) requirements
 - Be Defensible at the Appellate Tax Board (ATB)

II(b). Process is Established by Law & Regulation

- **Laws and Regulations**
 - Not always concise
 - Open to interpretation
 - Interpretation can change over time
 - Sometimes do not conform to market
- **Uses Mass Appraisal Techniques**
 - Uses approved methodology
 - Uses accepted practices
- **Overseen by Department of Revenue (DOR)**
 - Interprets laws
 - Sets policies and guidelines
 - Certifies values
- **Reviewed by Judiciary**
 - Appellate Tax Board (ATB) decisions
 - Appeals Court decisions
 - Established case law
- **Uses outside appraisers and consultants**
 - Independent appraisers hired by both the assessors and property owners
 - Vision Appraisal Technology provides consulting services to Lexington and other communities

II(c). Confidential Information

- Certain information provided to the assessing department is confidential
- Public disclosure exemptions include the following ⁽¹⁾
 - Abatement and exemption applications
 - Personal property schedules
 - Pre-assessment and abatement request, such as income and expense statements provided by owners
 - Appraisal reports prepared for Appellate Tax Board appeals
- Additionally, the assessing department cannot provide proprietary information such as software and subscription services to the public
- This limits the information that can be provided on commercial/industrial properties and limits what we can discuss about a property. All we can provide or discuss is what is already in the public domain.
 - Property record card data
 - Registry of Deeds data
 - Newspapers
 - Internet searches

III(a). Definitions & Concepts

- Value
 - Value is created by the anticipation of future benefits
- Value can have many different meanings and, therefore, is typically defined specifically for each assignment ⁽²⁾
 - Market value
 - Investment value
 - Fair value
 - Use value
 - Book value
 - Public use value
 - Assessed value
 - Going concern and/or business value
 - Insurable value
- Each type of value has a specific definition
- The definition of value for assessment purposes is available from DOR and is cited in ATB cases ⁽³⁾

III(b). Definitions and Concepts

- Real Estate
 - Real estate includes the land, buildings and other physical improvements or attachments to the land ⁽¹⁾
 - Real Estate does not include contracts such as leases
 - The fee simple interest in real estate includes the right to lease the property, and while the right to lease the property is taxable, the value specific to an actual lease is not taxable

III(c). Definitions and Concepts

- Property (ownership) Interest Valued for Assessment Purposes
 - The fee simple estate.....is the estate (property interest) assessors value for property tax purposes ⁽¹⁾
 - Assessors do not value the leased fee interest or estate which is created through contractual obligations (leases) between a landlord and a tenant
 - Many (probably most) commercial property sales represent the leased fee interest in the property
 - Both the market value and the specific sale price of a property can be impacted by the property interest that is sold and the contractual obligations (such as leases) that encumber the property
 - Therefore, the comparison of the sale price and assessment is often not an apples to apples comparison as they involve different property interest

III(d). Definitions and Concepts

- Mass Appraisal
 - Mass Appraisal is defined as the use of standardized procedures for collecting data and appraising property to ensure that all properties within a municipality are valued uniformly and equitably. It is the process of valuing a group of properties as of a given date, using common data, employing standardized methods and conducting statistical tests to ensure uniformity and equity in the valuations.⁽¹⁾
 - Assessing is the only or one of the only disciplines that utilizes mass appraisal techniques.

III(e). Definitions and Concepts

- Date of Value or Assessment Date
 - Assessed values are as of a specific date, January 1st of each year ⁽¹⁾
 - By law, this process uses market information (sales and leases) which occurred during the 12 months prior to the date of value ⁽¹⁾
 - The current assessed values for all properties in Lexington are for FY2011, with a corresponding date of value of January 1, 2010
 - These FY2011 values, by law, were based on market data from calendar year 2009⁽¹⁾
 - The assessing department is currently working on the FY2012 values, and by law, is using market data from calendar year 2010 in developing these assessments

III(f). Definitions and Concepts

- Time
 - Market conditions change over time
 - Supply
 - Demand
 - Interest Rates
 - Value is as of a specific date
 - It is not reasonable or proper to compare the fiscal FY 2010 assessment for a property (which has an effective date of value of January 1, 2009 and by law was based on market data from calendar year 2008) with the price paid for the property in calendar year 2010

III(g). Definitions and Concepts

- Cost is not always equal to value ⁽²⁾
 - Residential property examples
 - Swimming pools and tennis courts have a cost to build, but these improvements are generally not considered to increase the value of a property by an amount equal to the cost to build these improvements
 - Commercial property example
 - In New London, CT, Pfizer recently (2010) sold its 750,000 square foot research campus to Electric Boat for around \$50,000,000 or 17% of its reported cost of \$300,000,000 ⁽⁴⁾

III(h). Definitions and Concepts

- Price (sales price) is not always equal to value ⁽²⁾
 - This is a basic premise of appraisal and assessing practice
 - Properties often sell for more or less than market value because of an imbalance between supply and demand, emotional purchases, special needs or motivations and different abilities to negotiate
 - If you have ever thought the actual price paid for a particular house was high or low, you've developed an opinion of value that differs from price
 - Price is simply a single data point and without knowledge of the transaction and other supporting data points is generally meaningless
 - Market value is determined by data (prices) from several relevant transactions
 - The assessor's valuation model indicates that homes often sell at prices which represent slight discounts (below) or slight premiums (above) their market value and is one reason that assessed values don't perfectly track the sale prices

III(i). Definitions and Concepts

- Summary
 - Many types of value
 - Many types of property interest
 - Assessed value based on the fee simple interest
 - Assessed value doesn't reflect contracts such as leases
 - Assessed value is an opinion
 - An opinion of assessed value is founded on an analysis of many market factors
 - Price, being an indicator of value, is one factor considered
 - Cost to build, being an indicator of value, is another factor considered
 - Income, being an indicator of value, is another factor considered
 - Reasonable people, including professional appraisers and assessors, often disagree on value
 - Courts, including the ATB, resolve disputes over value

IV(a). Residential Property Valuation Process

- Valued on a fee simple basis
- Generally valued based on sales
 - There are numerous sales of single family homes in Lexington
 - Most single family home sales involve the sale of the fee simple interest (owner occupant to owner occupant)
- Generally not valued based on income
 - Limited income information as homes are typically not rented or purchased by investors
- Cost can be reliable
 - Most applicable to newly constructed homes
 - Supply & demand must be in balance

IV(b). Commercial/Industrial Property Valuation Process

- Valued on a fee simple basis (just like residential)
- Typically valued based on Income Approach
- Typically not valued based on Sales Approach
 - Limited number of commercial property sales
 - Significant differences among these sales
 - Many commercial sales are non-qualified or include other considerations ⁽¹⁾
 - Leased fee interest
 - Portfolio or multi parcel sales
 - Changes to property
 - Changes to zoning
 - Going concerns
 - Special interest (abutter or tenant purchases)
 - Bankruptcy
- ATB generally does not rely on sales or cost approaches ⁽³⁾
- ATB generally relies on Income Approach ⁽³⁾
- Commercial/industrial property owners that challenge assessments generally rely on Income Approach

V(a). Sales Approach - Overview

- There are a limited number of commercial/industrial sales
- The sales of commercial/industrial properties are generally very different
- The sales of commercial/ industrial properties often involve the leased fee interest
- Real estate (see definition) includes the land and improvements, but not contracts such as leases
- Real estate in Massachusetts is valued for taxation purposes on a fee simple basis – no contracts, leases or other encumbrances

V(b). Sales Approach - Overview

- When considering a sale, the details of the sale must be verified to understand whether it is a reliable indicator of value as of the assessment date. Things to consider:
 - Have there been changes in market conditions?
 - Did the buyer or seller have special motivation?
 - What property interest was sold?
 - Have there been any changes in the area?
 - Roadways
 - Utilities
 - Other developments
 - Have there been any changes to the property?
 - New construction
 - Zoning changes
 - Permits & approvals
 - Special considerations
- Remember, sales from calendar year 2010 were not available to consider for the FY2010 values which were completed during calendar 2009 based on sales from calendar 2008

V(c). Sales Approach – Hypothetical

- Would a real estate investor, assuming the real estate (land & improvements) of each of these 4 properties were identical, pay the same price for each of these properties?
 - 1 – A vacant building that will likely be vacant for another 12 to 24 months and require a considerable investment to lease the space to a new tenant
 - 2 – A building that is 85% occupied (15% vacant) and leased on a short term basis at market rents to non-credit tenants
 - 3 – A building that is 100% leased at market rent to a start up with limited financial reserves and no real income
 - 4 – A building that is 100% leased at market rent for a long term (10 years or more) to a credit tenant with strong financials

Note that identical properties would, in theory, have identical market rents. So there is no difference in the potential gross income, just in the occupancy and the collected income.

V(c). Sales Approach – Hypothetical (continued)

- From an assessment point of view, four properties that are identical in terms of the real estate (land and improvements) would each have the same (identical) assessed value (this is true whether it is four identical office buildings or four identical houses)
- From an investment point of view, each of these identical properties, because of the differences in the contractual income streams and risks associated with those income streams, would have a different market value

V(d). Sales Approach – Actual Sales

- The following chart presents sales of particular commercial buildings from towns in Eastern Massachusetts ⁽⁶⁾
 - The properties sold at widely varying prices
 - The prices appear to be related to the property interest sold, whether the property was vacant or leased and the terms of those leases
 - The assessments fall in a much more narrow range, perhaps because the underlying real estate is more similar
 - Conclusion, the property interest sold (fee simple versus leased fee) can have a significant impact on price

Sale #	Property	Sale Date	Sale Price	Sale Price PSF	FY 2010 Assessment	Building Size (SF)	FY 2010 Assessed Value PSF	Comments
1	One Wayside Road Burlington	Jun 10	\$55,525,000	\$296	\$17,966,300	187,797	\$95.67	100% leased to Nuance Communications for 8 years (leased fee sale medium lease term)
2A	Three Burlington Woods	Jun 10	\$20,130,820	\$138	\$12,706,500	146,100	\$86.97	64% occupied as of 6/10 (leased fee sale, but short term leases which were close to market)
2B	Three Burlington Woods	Jun 07	\$34,020,184	\$233		146,100		Leased fee sale in better market
3	550 King Street	Apr 06	\$25,500,000	\$52		490,000		100% vacant former Digital Equipment facility sold to an investor (fee simple sale)
4	550 King Street	Apr 10	\$88,450,000	\$181	\$40,894,000	490,000	\$83.46	100% leased to IBM for 10 years (leased fee sale, longer term lease & credit tenant)
5	2 Elizabeth Drive	Oct 06	\$12,100,000	\$117		103,000		100% leased as of 2006 sale (leased fee sale)
6	2 Elizabeth Drive	Feb 10	\$3,300,000	\$32	\$9,703,100	103,000	\$94.20	100% vacant as of 2010 sale (fee simple sale)
7	2 Technology Park Dr,	Feb 05	\$15,175,000	\$152		99,960		100% leased (leased fee estate)
8	2 Technology Park Dr.	Jun 10	\$4,592,000	\$46	\$9,316,900	99,960	\$93.21	100% vacant, purchased by a user eClinicalWorks (a fee simple sale)
9A	Nagog Office Park Acton	Jun 10	\$12,500,000	\$33	N/A	381,366	N/A	8 buildings 70% leased
9B	Nagog Office Park	Sep 99	\$42,334,000	\$110	N/A	384,814	N/A	9 buildings
10	100 Nagog Office Park	Dec 10	\$2,000,000	\$10	N/A	195,000	N/A	Vacant 2 & 3-story on market for \$20 PSF and sold for \$10.00 PSF

Building size from assessors except for Littleton and Acton – sometimes the assessor's areas are slightly different from other market information.

V(d). Sales Approach – Actual Sales (continued)

- Sales 1 & 2A are in located in Burlington, across Route 128 from each other. The building at One Wayside Road sold in 2010, 100% leased for 8 years for \$295 PSF, and the building at 3 Burlington Woods, which was 64% leased, sold in 2010 for \$138 PSF. Additionally, 3 Burlington Woods (Sale 2B) sold in 2007 before the recession (when rents were higher and leasing demand was stronger) for \$233 PSF or nearly twice its 2010 price.



V(d). Sales Approach – Actual Sales (continued)

- Sales 3 & 4 involve the same property in Littleton. HP sold the former Digital Equipment facility vacant in 2006 for \$52 PSF. The buyer renovated it, leased it to IBM and sold it in 2010 with 10 years remaining on the lease to IBM for \$181 PSF. This ratio of the fee simple price to leased fee price is 29%.
- Sales 5 & 6 involve the same property in Chelmsford. The property was purchased fully leased in 2006 by an investor for \$117 PSF. The tenants moved out, the owner gave the building back to the lender, and the lender sold it in 2010 vacant to a user for \$32 PSF. The ratio of the fee simple price to leased fee price is 27%.
- Sales 7 & 8 involve the same property in Westborough. The property was purchased in 2005 fully leased by an investor for \$152 PSF and was sold in 2010 vacant to a user for \$46 PSF. The ratio of the fee simple price to the leased fee price is 30%.

V(d). Sales Approach – Actual Sales (continued)

- Sales #9A and #10 are located in Nagog Park in Acton. Sale #10 is vacant and sold in December 2010 for \$10 PSF. The ratio between Sale #9A and Sale #10 is 30%, but Sale #9A was not 100% leased.
- These sales show a significant difference in the prices paid for different property interests. These ratios might be useful in the analysis of local sales.

V(e). Sales Approach – Actual Sales (continued)

- John Hancock Tower, Boston, MA
 - This property has sold 4 times over the last 8 years ⁽⁷⁾
 - 2003 \$910,000,000
 - 2006 \$1,300,000,000
 - 2009 \$660,000,000
 - 2010 \$930,000,000
 - Which price is the correct one for assessment purposes?

V(e). Sales Approach – Actual Sales (continued)

- Calendar year 2010 Lexington sales over \$1.5 Million
 - Lexington Tech Park Spring St & Patriot Way (Shire HGT)

Date of Sale	June 30, 2010
Sale Price	\$165,000,000 / \$597.73 PSF
Building Area	276,046 SF
Assessment	\$63,215,000 / \$229.00 PSF

– 101 Hartwell Avenue

Date of Sale	July 9, 2010
Sale Price	\$2,300,000 / \$56.65 PSF
Building Area	40,600 SF
Assessment	\$4,178,000 / \$102.91 PSF

– 113 Hartwell Avenue

Date of Sale	November 19, 2010*
Sale Price	\$6,450,000 / \$63.18 PSF
Building Area	102,096 SF
Assessment	\$11,172,000 / \$114.79 PSF

*Sold for \$12,850,000 in September 2007. The current price of \$6,450,000 represents a ratio of 50% of the 2007 price.

V(f). Sales Approach – Summary

- When are commercial sales applicable
 - When the property sold in the year of analysis

<u>Fiscal Year</u>	<u>Date of Sale</u>
2010	Calendar 2008
2011	Calendar 2009
2012	Calendar 2010

- When the sale is verified as a qualified sale
- When the sale involves the proper ownership interest (fee simple)

VI(a). Income Approach - Overview

- The Income Approach is typically used to value commercial/industrial properties
 - Generally has the most data available for analysis purposes (more leases than sales)
 - The typical buyer is generally an investor
 - Investors are generally most interested in income and the return on their investment
- The Income Approach requires 4 primary data points
 - Market and actual rents
 - Market and actual vacancy rates
 - Market and actual operating expenses
 - Market capitalization rates

VI(b). Income Approach - Example

- The following is a comparative analysis of the three income approaches, as reported in the Appellate Tax Board's Findings of Fact and Report (ATB decision for Cambridge Park 125 Realty Corp and Cambridge Park 150 Realty Corp v. Board of Assessors of the City of Cambridge) promulgated June 13, 2008, for the office property at 150 Cambridge Park Drive (CPD) ⁽³⁾
 - Shows the generally accepted method of using the income approach to estimate assessed value
 - Shows differences in the variables used in the income approach
 - Shows differences in the value conclusions

VI(b). Income Approach- Example (continued)

Comparative Analysis Income Approaches FY 2006 Analysis – January 1, 2005

	Assessor	Appraiser	ATB
Building Size (SF)	248,150	252,180	252,180
Gross Rent PSF	\$23.80	\$24.25	\$24.25
Potential Gross Income (PGI)	\$5,905,970	\$6,159,789	\$6,159,789
Vacancy (%)	5%	15%	15%
Vacancy (\$)	\$295,299	\$923,968	\$923,968
Effective Gross Rent (EGI)	\$5,610,671	\$5,235,821	\$5,235,821
Expenses			
PSF	\$6.25	\$9.85	\$9.60
Total	\$1,683,201	\$2,483,973	\$2,420,928
Net Operating Income	\$3,927,470	\$2,751,848	\$2,814,893
Capitalization Rate			
Base Rate	9.214%	8.500%	8.000%
Tax Factor	<u>1.786%</u>	<u>1.786%</u>	<u>1.786%</u>
Total Rate	11.00%	10.286%	9.786%
Assessed Value	\$35,704,300	\$26,753,331	\$28,764,490
Assessed Value Rounded	\$35,700,000	\$26,800,000	\$28,800,000
Assessed Value PSF	\$144	\$106	\$114

Notes:

- PGI includes \$44,424 of other income under appraiser and ATB
- Expenses include operating expenses, brokerage commissions, tenant improvements and reserves
- Tax factor is the commercial tax rate

VII(a). ATB Decision – Introduction⁽³⁾

- The following presents information on the previously referenced ATB decision promulgated on June 13, 2008. It was appealed and the decision affirmed by the appeals court. The decision is relevant, despite that the values are for FY 2004, 2005, and 2006 because:
 - Written decision affirmed by appeals court
 - Involves office buildings that are generally similar to office buildings in Lexington
 - Involves buildings located in the Alewife section of Cambridge which is most similar to Lexington
 - The properties sold both before and after the dates of assessment and the dates of the ATB decision
 - The sale involves 4 properties, consisting of 2 office buildings and 2 parking lots. Total price for all 4 properties in 2007 was \$129,000,000, with \$1,100,000 allocated to the parking lots.

VII(b). ATB Decision - Summary

125 & 150 Cambridge Park Drive Cambridge, MA

PROPERTY: Two office buildings containing 436,100 sq. ft.

SALES HISTORY:	<u>Date</u>	<u>Total Sales Price</u>	<u>Total Price PSF</u>
	4/99	\$ 84,000,000	\$193
	12/01	\$ 98,000,000	\$225
	5/07	\$127,900,000	\$293

ASSESSMENT HISTORY:	<u>Total Both Buildings</u>	<u>Total Price PSF</u>
FY 04 (1/03)	\$82,201,400	\$188
FY 05 (1/04)	\$68,515,200	\$157
FY 06 (1/05)	\$63,913,000	\$147

APPELLATE TAX BOARD DECISION	<u>Total Both Buildings</u>	<u>Total Value PSF</u>
FY 04 (1/03)	\$72,000,000	\$165
FY 05 (1/04)	\$54,500,000	\$125
FY 06 (1/05)	\$50,000,000	\$114

ATB Ruling

Total Over Assessment	\$38,029,600
Total Abatement	\$697,318.73

*Price excludes \$1,100,000 allocated to the two parking lots.

VII(b). ATB Decision – Summary (continued)



125 Cambridgepark Drive



150 Cambridgepark Drive

VII(c). ATB Decision –Selected Quotes

- “The present owners acquired the subject properties on December 14, 2001 for the allocated prices....the total purchase price for these four parcels was \$98,000,000.
- The owner’s appraiser “excluded the cost approach”
- The owner’s appraiser “eschewed the sales comparison approach and disregarded the sale of the subject properties in 2001”
- The ATB found “the most appropriate technique to use to value the subject properties as an income-capitalization approach”
- Under the circumstances, the Board found and ruled that “it was not appropriate to use a comparable sales approach or rely on the 2001 sale in these appeals”
- The decision references the Spaulding & Slye (now Jones Lang LaSalle) market survey as information typically relied upon by assessors, appraisers and the court

VII(d). ATB Decision - Conclusion

- Decision addresses, to some extent, that sales, including the sale of the subject, are not considered relevant when the property interest sold is the leased fee interest (not the fee simple interest)
- Decision addresses, to some extent, that sales of properties that involve multi parcels may not be relevant (non-qualified sale)
- Decision addresses, to some extent, that sales which did not occur in the year of analysis may not be relevant
- Decision shows that there can be substantially different opinions as to the value of a property
- Decision shows that despite that the assessment was well below the sale price, that the ATB found the assessment was still too high
- The ATB value of \$50,000,000 for FY2006 is a ratio of 51% of the actual 2001 sale price and 39% of the actual 2007 sale price

VIII(a). How Do the FY2006 Assessments in Lexington Compare with the ATB Decision?

- The following table presents assessed values for 8 of the better quality office buildings in Lexington for FY2006.
 - These eight office properties in Lexington were assessed on average for \$123 PSF for FY2006
 - The ATB decision found that the assessed value for 125 & 150 CPD should have been \$114 PSF or 6.5% less than the average Lexington assessment for FY2006
- Market information from Spaulding & Slye, now Jones Lang LaSalle, for first quarter 2005 which was quoted in ATB decision⁽⁸⁾

Submarket	Vacancy Rate	Avg Asking Rent PSF
Alewife	15.0%	\$25.42
Northwest	20.2%	\$19.80
*Lexington in Northwest Submarket		

VIII(b). Lexington Values Based on ATB Decision

Hypothetical 100,000 Square Foot Office Building	
Building Size (Square Feet)	100,000
Gross Rent PSF (Submarket Average) ⁽⁸⁾	\$19.80
Potential Gross Income (PGI)	\$1,980,000
Vacancy (%) (Submarket Average) ⁽⁸⁾	20%
Vacancy (\$)	<u>\$396,000</u>
Effective Gross Income (EGI)	\$1,584,000
Expenses	
PSF (arbitrary)	\$8.50
Total	<u>\$850,000</u>
Net Operating Income	\$734,000
Capitalization Rate (8% + 2.2%)	.1020
Indicated Value	\$7,196,078
Indicated Value PSF	\$72

VIII(c). Lexington FY 2006 Assessments

Range: \$116 to \$148 PSF

Average: \$123 PSF

Median: \$119 PSF

Property	Assessment	Building Area (SF)	Assessment PSF
33 Hayden Avenue	\$9,805,000	84,283	\$116.33
45 – 55 Hayden Avenue	\$25,786,000	194,603	\$132.51
80 Hayden Avenue	\$6,354,000	42,819	\$148.39
92 Hayden Avenue	\$10,148,000	87,352	\$116.17
181 Spring Street	\$7,367,000	56,442	\$129.53
201 Spring Street	\$33,495,000	282,722	\$118.47
750 Marrett Road	\$12,036,000	102,572	\$117.34
420-430 Bedford St	\$18,761,000	155,983	\$120.28
Average	\$15,467,000	125,847	\$122.92

VIII(d). FY2006 Assessment Summary

- The ATB 125 & 150 Cambridgepark Drive decision found a value of \$114 PSF. The FY2006 Lexington assessments were completed well before ATB decision was promulgated in June 2008, but are based on similar methodology as was used by the ATB in that decision
- Using the ATB methodology from Cambridgepark Drive and the market information from Spaulding & Slye (referenced in the decision), the ATB might find the FY2006 assessed values for office buildings in Lexington could be as low as \$72 PSF as compared to the actual average assessment of around \$123 PSF

IX(a). How Do Lexington's Commercial Assessments Compare to Its Neighbors?

- The tables on the following pages present a sample of FY2010 assessments for class A office buildings in Lexington and abutting towns⁽⁸⁾
- Market information to consider in comparing assessment data for different towns⁽⁹⁾

Town	Submarket
Woburn	Route 128 North
Burlington	Route 128 Northwest
Lexington	Route 128 Northwest
Waltham	Route 128 Mass Pike

<u>Submarket</u>	<u>Average Asking Rent</u>
Route 128 North	\$22.22
Route 128 Northwest	\$23.39
Route 128 Mass Pike	\$30.06

IX(b). Class A Office Buildings

Woburn FY 2010 Assessments⁽⁸⁾

Range: \$85 to \$92 PSF

Property	Assessment	Building Area (SF)	Assessment PSF
100 Unicorn Park Dr.	\$2,228,200	24,203	\$92.06
200 Unicorn Park Dr.	\$7,354,700	79,663	\$92.32
300 Unicorn Park Dr.	\$9,118,000	104,450	\$87.30
400 Unicorn Park Dr.	\$8,746,300	97,668	\$89.55
500 Unicorn Park Dr.	\$15,905,800	187,978	\$84.62
600 Unicorn Park Dr.	\$12,359,100	137,748	\$89.72

Burlington FY 2010 Assessments⁽⁸⁾

Range: \$87 to \$104 PSF

Property	Assessment	Building Area (SF)	Assessment PSF
25 Burlington Mall Road	\$29,351,800	281,240	\$104.37
One Wheeler Road	\$23,195,200	242,454	\$95.67
One Wayside Road	\$17,966,300	187,797	\$95.67
10-20 Burlington Road	\$15,371,100	160,670	\$95.67
Three Burlington Woods	\$12,706,500	146,100	\$86.97

IX(b). Class A Office Buildings (continued)

Waltham FY 2010 Assessments⁽⁸⁾

Range: \$97 to \$157 PSF

Property	Assessment	Building Area (SF)	Assessment PSF
1100 Winter Street	\$44,095,000	286,462	\$154.00
880 Winter Street	\$34,933,200	224,892	\$155.00
890 Winter Street	\$27,724,700	176,664	\$157.00
400 Totten Pond Road	\$9,767,100	80,000	\$122.00
400 Fifth Avenue	\$11,738,290	120,318	\$98.00
300 Fifth Avenue	\$16,292,200	167,686	\$97.00

Lexington FY 2010 Assessments⁽⁸⁾

Range: \$117 to \$136 PSF

Property	Assessment	Building Area (SF)	Assessment PSF
33 Hayden Avenue	\$10,546,000	84,283	\$125.13
45–55 Hayden Avenue	\$26,388,000	194,603	\$135.60
80 Hayden Avenue	\$5,686,000	42,819	\$132.79
92 Hayden Avenue	\$10,753,000	87,352	\$123.10
181 Spring Street	\$7,311,000	56,442	\$129.53
201 Spring Street	\$36,744,000	282,722	\$129.97
750 Marrett Rd.	\$11,987,000	102,572	\$116.86
420-430 Bedford St.	\$18,290,000	155,983	\$117.27

IX(c). Comparison to Neighbors - Summary

- Lexington's FY2010 assessed values for office buildings fall in middle of the range from adjoining towns
- Lexington's FY2010 assessed values for office buildings are above other towns when the raw assessment data is adjusted for average submarket asking rent for calendar 2010

Conclusion

- The Lexington Assessing department and Board of Assessors work diligently to produce the most accurate valuations possible
- The assessed values are based on detailed market analysis
- The assessed values are based on an analysis of confidential data
- The assessed values are certified by DOR
- The assessed values conform with recent ATB decisions
- The assessed values are reasonable and defensible
- Unreasonable and unsupported values would create significant litigation and financial risk to the Town.
- Such litigation may require additional staff personnel and/or an override at town meeting.

- **Sources**

- 1) *Assessment Administration: Law, Procedure and Valuation Course 101 Handbook*. This reference material, which is the course material for the course that is required for assessors and board of assessor members, is available on the Department of Revenue website under Department of Local Services, publications. Other publications include guidelines for development of a minimum reassessment program and property type classification codes, non-arms length codes and sales report spreadsheet specifications.
- 2) *Appraisal of Real Estate*, Thirteenth Edition, The Appraisal Institute
- 3) ATB decision is available online from the ATB.
- 4) The Pfizer sale to Electric Boat has been covered in numerous new stories, including a recent *Boston Globe* article on government incentives to attract two companies (RI and Curt Schilling). Another article was in the *Hartford Curreant* June 21, 2010.
- 5) Information on the economy and real estate market from various sources including articles in the Wall Street Journal, August 14 and September 20, 2010, regarding the high rate at which companies are issuing junk bonds because of the high demand for this type of investment.
- 6) Information from a database used by the assessors, including sale summary sheets and press releases, can be viewed at the assessor's office. Additional sales information can be obtained from the assessors in the town the sale is located, the registry of deeds for the county in which the sale is located, and other sources such as the Banker & Tradesman.
- 7) October 5, 2010 Boston Globe article
- 8) Assessment information is available online from most towns.
- 9) Jones Lang LaSalle, a real estate company with a significant presence in Boston, provides market statistics used by commercial real estate professionals. Other companies produce similar reports. These reports are available online.